

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)
) No. G97-6
)
The Market Conduct Examination) FINDINGS, CONCLUSIONS, AND
of Sunset Life Insurance Company.) ORDER ADOPTING REPORT
)

BACKGROUND

An examination of the market conduct of Sunset Life Insurance Company as of June 30, 1996, was conducted by market conduct examiners of the Washington State Office of the Insurance Commissioner. The Company holds a Washington certificate of authority. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner.

The examination report with the findings and recommendations was transmitted to the Company for their comments on December 6, 1996. A response to the draft report was sent by the Company on January 6, 1997. The Company did not request a hearing.

The Commissioner or a designee has considered the report, the relevant portions of the examiner's workpapers, and the submission by the Company.

Subject to the right of the Company to demand a hearing pursuant to chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained in pages 4 through 16 and 26 through 41 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct of Sunset Life Insurance Company and to order the Company to take the actions described the "Instructions" section of the report. The "instructions" in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ORDERED as follows, these being the Instructions contained in the examination report on pages 17-19 (references to appendices are to the appendices in the report):

Sales/Marketing/Advertising

1. RCW 48.30.050 requires a company to include their name and domicile on all sales and advertising materials. The Company did not include this information on one piece of material reviewed. The Company is instructed to update these forms to include this information at the next print date or within six months of this examination, whichever occurs first. See Appendix 3 for a list of the materials involved.
2. RCW 48.30.040, WAC 284-23-050(1), (2), (5), (11)(c), and WAC 284-23-040(1)(2) require that language used in marketing and sales materials not be deceptive or misleading. There are 10 items that are currently used by the Company which contain language that could be misconstrued by consumers. The Company is instructed to update these forms to conform to requirements of these code sections at the next reprint date or six months from the date of this examination, whichever occurs first. See Appendix 3 for a list of the materials involved.

Agent Activity

3. RCW 48.17.160(1) and WAC 284-17-420(1) require agents to be appointed prior to soliciting applications for a company. During the file review of 138 files, it was noted that unappointed agents solicited business on two applications. Although the Company computer system does not allow an agents code to be input in the new business system until they are appointed with Sunset Life, this does not stop the agent from soliciting business on behalf of the Company. The Company is

instructed to immediately return all applications from unappointed agents until the appropriate paperwork is submitted to the State of Washington. See Appendix 4 for a list of the agents involved.

Contracts and Forms

4. RCW 48.18.100(1) requires that all forms of policies and applications be filed prior to being offered for sale in the State of Washington. In three instances, Sunset Life did not file a policy amendment or application form prior to use. Therefore, the Company is in violation of this code section, and is instructed to immediately take the steps outlined below to comply with RCW 48.18.100(1). In addition, the Company is instructed to file all forms used in the contract including the application form prior to use.

a. There were 31 policies issued with an unfiled version of the M-146, Cost of Living Rider for the Joint Universal Life Policy. The Company is instructed to file this rider and add this rider to the in force policies affected by this change. See Appendix 6 for a listing of policies with this added rider.

b. Application Form 1051(ND) was revised in April 1993, but the revised form, 1051A(ND) was not filed. The Company is instructed to immediately file this form with the Office of the Insurance Commissioner. In the sample reviewed, six out of 116 files contained application form 1051A(ND). See Appendix 7 for a list of policies using this application form.

c. Annuity Application Form 636D was filed and approved on 10/16/86. In 1994, the Company changed the area code in the address block at the top of the form, but did not refile the form. At this point, the form number did not change. In February 1995, the print shop changed the form to 636E. Until the examination, the Company had not noticed this change. The Company is instructed to file this revised form with the Office of the Insurance Commissioner immediately.

5. The Company sold an Extended Care Rider that is actually a form of accelerated benefit rider. This rider form does not meet the requirements of WAC 284-23. The Company has withdrawn this rider from sale in the State of Washington effective October 4, 1996. There were 47 riders sold, with 33 currently active. Since the Company has voluntarily withdrawn the product, there are no instructions on this issue. The Company is instructed, however, to file any replacement product prior to use, and to

review their current Terminal Illness Accelerated Benefit Rider for compliance with WAC 284-23, Accelerated Life Insurance Benefits, and refile the product as needed.

New Business Processing

6. RCW 48.01.020 defines the scope of Title 48 RCW as "All insurance and insurance transactions in this state, or affecting subjects located wholly or in part or to be performed within this state, and all persons having to do therewith are governed by this code." This means that any insurance issued on a resident of the State of Washington must comply with Washington Insurance Code. Therefore, any policy issued on a resident of the State of Washington must be considered a Washington contract. The Company is instructed to change their procedure immediately to reflect this requirement.

7. The Company is instructed to change their procedures to ensure that replacement forms and application questions concerning replacements are complete as the Company reviews the files during the underwriting process. WAC 284-23-440(1) and WAC 284-23-455(1) require that this information is received at the time of application. Four files did not meet replacement requirements. (See Appendix 8)

Replacements and Policy Conservation

8. WAC 284-23-450(1) require the Company to instruct their agents about the replacement regulation and about required activities agents must perform relative to replacements. The agent instruction manual needs to include specific information about the type of activities that constitute replacements, and specific activities to be performed by each agent. It should also contain information about the specific forms that must be completed by the agent and the Company. The Company is instructed to add this information to the agent instruction manual. This information is also to be included in the Conservation Unit Employee Manual.

9. The Policy Change and Service Request form (Form 757-O) is used as an application form for policy changes, including a change of plan. WAC 284-23-440(1) and WAC 284-23-455(1) require that the Company obtain from the prospective insured and the agent, respectively, a signed statement as to whether or not replacement will be involved. This is accomplished by the Company on application forms by asking specific replacement questions. These questions are not part of the Policy Change form and are not completed on internal replacements. The Company is instructed to add these statements for Form 757-O or to use the regular application form for policy changes.

Complaint Handling

10. WAC 284-30-650 requires that a company respond to correspondence from the OIC within 15 business days (21 calendar days). Any longer period of time is considered untimely. The Company must change procedures to ensure that they are in compliance with this section of the code. Six of 16 files did not meet this standard.

ENTERED at Lacey, Washington, this 31st day of March, 2000.

DEBORAH SENN

Insurance Commissioner

By:

WILLIAM E. FRANSEN

Deputy Commissioner